

## Section 7: Aviation Funding Alternatives

Because aviation funds are collected and distributed separately from funds for the surface transportation modes, the Task Force considered these funding alternatives separately from the rest. A combination of alternatives would be required to achieve a “good” level of investment.

### **ALTERNATIVE: Increase the aviation fuel tax.**

The current aviation fuel tax rate is three cents per gallon on all fuel sold or used in producing or generating power for propelling aircraft on aeronautical facilities on Michigan lands and waters. A refund of one and one-half cents per gallon is made to commercial airline operators that are operating interstate on scheduled operations.

Each one cent increase in the aviation fuel tax would yield \$3.6 million. Increasing the aviation fuel tax by three cents per gallon would generate an additional \$10.8 million to the State Aviation Fund (SAF). Such an increase could be implemented incrementally.

Increasing the aviation fuel tax requires an amendment to the Aeronautics Code of the State of Michigan (specifically, MCL 259.203).

### **ALTERNATIVE: Increase aircraft registration fees.**

All aircraft tied down, moored, hangared, or based within Michigan are required to be registered annually. This registration requirement does not apply to aircraft engaged in scheduled passenger service flying in interstate or foreign commerce. The current aircraft registration fee is one penny per pound of maximum gross weight or maximum takeoff weight. The average airplane registration fee is currently \$39, but the actual fee varies significantly with the weight of the plane being registered.

The aircraft registration fee generates approximately \$287,000 per year. Taken in context with the large need for additional aviation investment, this is not a lot of revenue. But in the spirit of the conviction of the Task Force that all transportation users should pay their fair share, it is recommended that the aircraft registration fee be increased, either as a flat rate or as an *ad valorem* rate that would bring the average fee for airplane registration in line with the average fee for automobile registration.

Increasing or changing the basis of the aircraft registration fee requires an amendment to Aeronautics Code of the State of Michigan (MCL 259.77).

### **ALTERNATIVE: Abolish the commercial airline refund.**

A refund of one and one-half cents per gallon of the three cents per gallon aviation fuel tax is made to commercial airline operators that are operating interstate on scheduled operations. Eliminating the airline refund would generate \$3.1 million in additional revenue to the SAF.

Eliminating the airline refund requires an amendment to the Aeronautics Code of the State of Michigan (specifically, MCL 259.203).

**ALTERNATIVE: Work with Congress to increase the aviation block grant to Michigan.**

As one of only 10 states that participate in the federal block grant program, Michigan benefits by having direct control of decision-making for airport development projects. MDOT, using the prioritization system established in its Michigan Airport System Plan, and working closely with airport authorities, determines priority for distribution of federal and state airport funding throughout the state.

The state also benefits from the interest received while holding the federal block grant disbursement prior to making payments for airport projects. In FY 2005, MDOT received over \$800,000 in interest.

**ALTERNATIVE: Redirect the state sales tax on aviation fuel and products - or an equivalent amount from unallocated sales tax revenue - to aviation purposes.**

State sales tax at the rate of six percent of the retail price is currently levied on sales of aviation fuel and other aviation related products (aircraft, parts, etc.). The vast majority of the revenue generated from the sales tax is either constitutionally or statutorily dedicated to the School Aid Fund or the revenue sharing for local units of government.

Sales tax collected on aviation fuel averaged about \$85 million per year between 2000 and 2007. The portion of this revenue not constitutionally allocated would be 25 percent of the sales tax levied at the rate of four percent, about \$14.1 million per year. Sales tax collected on other aviation related sales was \$4.5 million, as reported by the Michigan Department of Treasury. The portion of this revenue not constitutionally allocated is \$750,000.

Redirecting the portion of the sales tax that is not constitutionally restricted would require an amendment to the General Sales Tax Act (MCL 205.75). Redirecting the entire amount of sales tax collected on aviation products would require an amendment to the State's Constitution and accompanying statutory changes. Making a specific allocation to aviation from unallocated sales tax revenue roughly equal to the amount generated by aviation related sales could be done through an amendment to the Sales Tax Act.

**ALTERNATIVE: Convert the cents-per-gallon aviation fuel tax to a percent of sales price.** Aviation fuel is currently taxed at a flat cents per gallon rate that does not adjust with inflation or with the sometimes more rapidly increasing price of gasoline. Converting the tax to a percent of sales price would allow it to adjust with changing fuel prices. Accomplishing this would require amendment to the Aeronautics Code of the State of Michigan (specifically, MCL 259.203).

**ALTERNATIVE: Work with Congress to make reliever and super-reliever airports eligible for the same federal funding as primary airports.**

Funding for "Reliever" and "Super Reliever" airports, which handle excess general aviation traffic in busy metropolitan areas, is essential to maintain the efficiency of the national air transportation system. These airports relieve a substantial amount of air traffic from hub airports, thereby reducing delays, increasing regional capacity, reducing Air Traffic Controller workload, and increasing air traffic control efficiency. Under the current Federal Airline Administration (FAA) authorization (and continuing resolution) there is no specific funding designated for Reliever or Super Reliever airports, although they do receive the standard General Aviation Entitlement funding. Congress could make this change as part of the next FAA authorization, and include specific funding for these airports as a way to help reduce congestion at larger air carrier airports.